

SPOKANE COUNTY LIBRARY DISTRICT
Spokane County, Washington
January 1, 1993 Through December 31, 1994

Schedule Of Findings

1. Internal Controls Over Cash Receipts Should Be Improved

During our audit of the Spokane County Library District, which reported local receipts of \$145,000, we noted the following internal control weaknesses in the cash receipting system:

- a. Access to the cash register was not restricted. Since several employees operated the same cash register, responsibility for funds could not be fixed.
- b. Fines/fees collected could not be reconciled to payments posted to patron accounts.
- c. There was a lack of segregation of duties between the assessment of book damages and the cash receipting function. In addition, assessments were not controlled nor reconciled to receipts or patron accounts.
- d. Evidence of supervisor approval on cash register errors was not noted.

A basic principle of internal accounting controls requires the segregation of duties relating to the custody of assets from the responsibility for maintaining the related records of accountability.

Library management has implemented some internal controls over the cash receipting system. However, management appeared reluctant to strengthen these controls within available resources.

Weaknesses in the cash receipting internal control system result in decreased accountability over cash receipts and an increased risk that errors and/or theft could occur and not be detected in a timely manner, if at all.

We recommend that the library strengthen internal controls over the cash receipting system in the following ways:

- a. Restrict access to the cash register so that responsibility can be fixed.
- b. Separately identify fine/fee revenue sources so that a reconciliation of collections and payment postings to patron accounts can be performed.
- c. Segregate the duties of assessing book damages and collections.
- d. Require supervisory approval on cash register errors.

2. Internal Controls Over Accounts Receivable Should Be Improved

During our audit, we noted the following internal control weaknesses in the accounts receivable system:

- a. Staff accounts were coded so that they were not assessed fines and fees like the general public. This represents a gift of public funds. The ability to assign the staff code was not restricted nor accounts utilizing the staff code reviewed.
- b. An accounts receivable control account was not maintained nor reconciled. This receivable system processes approximately \$145,000 a year.
- c. The district has a policy on the waiving of fines and fees. However, detail of the accounts and amounts waived was not maintained, reconciled, reviewed, nor approved. In addition, the ability to wave fines and fees was not restricted.

Article VIII, Section 7 of the Washington State Constitution states:

No . . . city . . . shall hereafter give any money, property, or loan its money or credit to or in aid of any individual . . .

Management appeared to feel that strong internal controls could not be implemented with available resources. The lack of controls over the accounts receivable system increase the risk that errors and/or theft could occur and not be detected in a timely manner, if at all.

We recommend that the library strengthen internal controls over the accounts receivable system in the following ways:

- a. Discontinue and restrict access to the use of staff code.
- b. Establish and periodically reconcile an accounts receivable control account.
- c. Maintain, reconcile, review and approve a detail of accounts and amounts waived. Restrict access to the ability to waive fines and fees.